

MOTION BY MAYOR MICHAEL D. ANTONOVICH

SEPTEMBER 1, 2015

On April 9, 1992, the Board of Supervisors approved the sale of a surplus County building located at 1015 North Lake Avenue, Pasadena (Property) to the Pasadena Community Development Commission (PCDC) for \$700,000. The purpose of the sale to PCDC was to enable PCDC to convey the Property, a former Department of Public Social Services facility, and assign its obligations connected with the sale to the Pasadena Enterprise Center (PEC). PEC is a locally-based, non-profit corporation in the City of Pasadena that was created to establish a small business incubator program. County consented to the assignment to PEC.

Due to on-going budget and programming problems, PEC was unable to meet its monthly installment payments on the promissory note (Promissory Note) and deed of trust for the benefit of the County (collectively, Loan Documents). In August of 1997, the County Board of Supervisors (Board) agreed to restructure its Promissory Note and amended the deed of trust to allow PEC to meet their monthly payment obligation based on incoming cash flow receipts. In May of 2002, the Board approved a second promissory note restructure because of PEC's inability to meet its financial obligations. Over the past few years, the combination of losing tenants to a bad economy coupled with the increased costs of maintaining the building on the Property have resulted in PEC finding itself in arrears.

PEC currently has a past due balance totaling approximately \$689,936.55.

In an effort to accomplish the mission of providing services to the community through a small business incubator program, the County and the City of Pasadena (City) have proposed a solution whereby the City will acquire the Property from PEC, and PEC will assign all of its obligations under the Loan Documents to the City. The transfer of the Property to the City would make it possible for the City to make a substantial investment in the Property by initiating repairs and completing deferred maintenance.

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To complete the transfer of the Property and the assignment of the Loan Documents, Loan the City and PEC will enter into a Property Transfer and Assignment and Assumption of Documents Agreement (Agreement). The County, as the current note holder of the Promissory Note and beneficiary under the deed of trust, will consent to the transfer and assignment pursuant to the terms of the Agreement.

As consideration for the County consenting to the assignment and assumption of the Loan Documents, the County will place certain restrictions and conditions on the conveying Grant Deed to be accepted by the City. Said restrictions will consist of restricting the Property for the first ten years of City ownership to only be used for government purposes, with the exception of the current tenants and non-profit purposes. Additionally, the County will seek an increase in its equity position in the event the Property is sold in the first ten years of the City's ownership, whereby the County would receive fifty percent of the net sale proceeds, instead of the current three percent of the net sale proceeds, as stated in the 1997 amended Promissory Note.

The transfer will strengthen PEC's ability to realize the original purpose and intent of the County's transfer of the property to PEC. The transfer of the Property and the Loan Documents to the City would make it possible for the City to oversee PEC's current business operations and provide PEC with the necessary guidance to better function as a business incubator. The City's direct involvement in the Property and its use will allow PEC to continue to assist the many small businesses that owe their survival to the support services provided by PEC and would allow them to continue to grow and create new jobs in the local community.

I, THEREFORE, MOVE that the Board of Supervisors:

1. Find that the Property located at 1015 N. Lake Blvd., Pasadena to be conveyed to the City is not required for County use, find that the original purpose and intent of the Property transfer from County to PEC will be better effectuated through the proposed transfer and assignment from PEC to the City, and find that the continued viability of PEC and furtherance of its mission will meet necessary social needs of the population of the County.
2. Find that the County's consent to PEC transferring and assigning its current Promissory Note and deed of trust to the City of Pasadena, and consent to the Property Transfer and Assignment and Assumption of Loan Documents Agreement (Agreement) between PEC and the City is not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15060(c)(3) and 15378(b)(5) because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.

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3. Instruct the Interim Chief Executive Officer (CEO), or her designee, to waive the unpaid balance on the current Promissory Note in the amount of \$689,936.55 as of September 2015, which includes past due monthly installment payments and late fees in the amount of \$140,815.68, in addition to any additional arrearages to accrue prior to the County's execution of the Agreement.
4. Authorize consent to the Agreement to be entered into by the City and PEC, and execute the Agreement upon presentation by CEO and approval as to form by County Counsel.

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